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UNCLAS SECTION 01 OF 03 DAR ES SALAAM 000154

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SUBJECT: PORT CONGESTION IN DAR ES SALAAM - TOO MUCH OF A GOOD
THING

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¶1. Summary: Ships arriving in the Dar es Salaam harbor must wait fourteen to twenty-two days before offloading, at a cost of USD 20,000 a day, pushing up the prices of imported goods and squeezing profits for Tanzania and its landlocked neighbors. The Port of Dar es Salaam got off to a fresh start in 1999, but as regional growth caused the number of containers to increase beyond those projected, an overtaxed infrastructure combined with a developing world bureaucracy led efficiency to plummet. The GOT has begun to demand solutions, highlighted by a surprise port inspection by President Kikwete, but a long-term fix will be hard to achieve. End Summary.

A Fresh Start, but Things Move Too Quickly

¶2. The Government of Tanzania loses TSH 20 million (USD 15,000) per day due to delays at its Dar es Salaam port, according to a recent newspaper report. On any given day, the coastline of Dar es Salaam is dotted with long lines of ships anchored at sea waiting to pull into port. The Port of Dar es Salaam has not always been the pariah in the shipping industry it has become. In 1999, with support of the World Bank, the GOT signed a 10-year concessionaire agreement with Tanzania International Container Terminal Services Limited (TICTS) to manage the port and became known as one of the more efficient ports in the region. Port efficiency numbers met international standards and, by 2004, TICTS surpassed its contractual benchmark of 20 container moves per hour, hitting 23.1. Increased efficiency combined with rail access to neighboring countries helped Tanzania become a valuable transshipment point and accelerated the growth of the port.

¶3. In turn, the port has facilitated regional economic growth, with rising exports and an influx of consumer and capital goods. Port traffic continued to exceed the original forecasts and, in 2007, 343,490 twenty-foot equivalent units (TEUs) containers passed through the port. According to the Chairman of the Tanzanian Freight Forwarders Association (TAFFA), Otieno Igogo, the original contract forecast an annual increase of 10,000 TEUs, to 150,000 TEUs in 2000 and 250,000 by 2010. However, the actual rate of increase has been closer to 15,000 TEUs per year. With no commensurate capital investment or significant increases in the amount of available container storage space, the increased load has overtaxed

a poorly maintained infrastructure, in particular on the already poorly functioning Tanzanian railway system.

Gridlock Hits a High Point

14. With cargo ships waiting an average of 22 days to enter the port, Dar es Salaam now has the distinction of being the slowest port in Africa, according to the Chairman of the Tanzania Shipping Agents Association (TASAA), Emmanuel Mallya. Delivery delays during the 2008 holiday season provided an impetus for private gripes to become public calls for a solution. Much of this dialogue plays out in the local media; local journalists, spurred on by the highly visible cargo ships anchored in the bay, have given voice to the debate over the causes of the slowdown. For several months, at least fourteen and sometimes more than twenty ships have lain at anchor waiting to gain access to a berth. Massive container ships burn through fuel, incur staff costs and are levied late fees from shipping agencies, costs which are all passed on to consumers through higher prices for goods.

15. Beyond costs, the amount of time needed for products to arrive in Dar es Salaam is a major concern. Hassan Dhalla, the owner of a large freight forwarding business, stated that Tanzanian Breweries Ltd. almost ran out of beer last holiday season due to delays in the arrival of a 150,000 ton shipment of malt. An Embassy officer was dismayed when the container ship carrying his POV twice bypassed Dar es Salaam to stop at other regional ports rather than wait for a berth. According to TASAA, all the major shipping lines have decreased the number of ships coming into the Dar es Salaam port. Mallya said companies were consolidating goods at transshipment points, then sending one large ship rather than three smaller ones. Sending one large vessel may decrease waiting time, but can increase congestion at the port because of the extra time needed to load and offload cargo.

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Mombasa Not the Answer

16. Despite the inefficiencies and delays in Dar es Salaam, it remains the port of choice for most shippers to Tanzania and its landlocked neighbors. While Mombasa port is significantly more efficient, according to Dhalla the costs of shipping goods to Tanzania through Mombasa can be almost three times that of using Dar es Salaam. As a result, nearly all smaller importers prefer to wait for delivery rather than reduce their profit margins. Only large companies, such as Barrick and other major international mining firms, will routinely resort to Mombasa to ensure faster delivery of necessary equipment.

Bureaucratic Solutions Not Enough, New Contract Needed

17. The resolution of contractual issues with TICTS is essential for improving port operations. The ten-year contract was renegotiated in 2005 to expand the role of the concessionaire from operation only to include infrastructure development, and was extended through 2025. However, the new contract was recently put on hold by the Parliament to address allegations of corruption during the negotiation process. Some claim that TICTS is purposefully slowing down container handling by not adequately servicing its heavy lifting equipment, in an effort to force the GOT to make a quick decision on a contract biased in TICTS' favor. A new contract would do more than spur infrastructure development in the port; it would also help to more accurately delineate the role of the Tanzania Port Authority (TPA) vis-a-vis TICTS. Currently, TICTS complains that TPA has an inherent conflict of interest by acting as both landlord and competitor (TPA has its own cranes and docks). TICTS alleges some of TPA's decisions have hampered TICTS, thus slowing overall port activity, to the benefit of TPA.

18. President Kikwete's surprise port inspection March 2, after he reportedly refused to read TPA's latest "useless report," indicates that the highest levels of the GOT recognize the impact of port congestion. Earlier in the year, Kikwete established a Presidential Port Decongestion Committee, which has overseen recent steps to fix the port's problems. The Tanzania Revenue Authority (TRA) has

opened Inland Container Depots (ICDs) to relieve congestion on the port property. The nine ICDs in operation have opened up much-needed new space to offload containers, but they have also added extra costs for importers. The GOT also dusted off an old regulation that allows the auction of containers that remain in the port for over twenty-one days. The auctions are intended to penalize importers who allegedly use the port as storage space, as well as to clear out abandoned goods. An additional regulatory change now allows ships to file manifests prior to arriving, putting an end to the practice of starting the customs process only after pulling into the port.

¶9. Tiscan, a private company outsourced by the Tanzania Revenue Authority to verify the contents of containers, causes the most delays. Tiscan's burdensome processing procedures are improving, but continue to be a problem, especially for small importers less knowledgeable on procedures and more likely to try to evade duties. Low-level corruption remains an ongoing concern; however, it is not a major obstacle for businesses that follow the regulations. In most cases, corruption consists of payments for "expedited services" or assistance in facilitating undervalued containers through the system without a full investigation. While dwell time has increased due to the lack of space for container storage, large freight forwarding operations seem fairly pleased with the process and report they can generally move a container out of the port within three business days.

¶10. Comment: The problem of port congestion is clear, its solution much less so. TICTS, TPA and TISCAN are all eager to shift the blame (TICTS recently approached donors to seek funding for an "awareness campaign" aimed at port users). Apart from short term measures, to keep up with the unplanned growth in cargo the port needs considerable capital investment, which in turn requires resolution of the contractual issue of port management. In addition, investment in the roads, and especially the deteriorating

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rail links, is necessary to keep containers moving out of the port. One business owner, clearly lacking faith in the GOT's ability to make quick decisions, dourly noted that in the short term, the only remedy for port congestion may be an economic downturn.

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